

SERFF Tracking Number: PENN-125389386 State: Arkansas
Filing Company: Diamond State Insurance Company State Tracking Number: EFT \$100
Company Tracking Number: DS-2007-CF-RU-068
TOI: 01.0 Property Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)
Product Name: Commercial Output Policy - Surcharge of 3.20% For Equipment Breakdown Coverage
Project Name/Number: /DS-2007-CF-RU-068

Filing at a Glance

Company: Diamond State Insurance Company

Product Name: Commercial Output Policy - SERFF Tr Num: PENN-125389386 State: Arkansas

Surcharge of 3.20% For Equipment Breakdown Coverage

TOI: 01.0 Property

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 01.0001 Commercial Property (Fire and Allied Lines)

Co Tr Num: DS-2007-CF-RU-068

State Status: Fees verified and received

Filing Type: Rule

Co Status:

Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding

Author: Kathleen Reed

Disposition Date: 01/10/2008

Date Submitted: 01/09/2008

Disposition Status: Exempt from Review

Effective Date Requested (New): 02/15/2008

Effective Date (New): 02/15/2008

Effective Date Requested (Renewal): 02/15/2008

Effective Date (Renewal): 02/15/2008

State Filing Description:

General Information

Project Name:

Status of Filing in Domicile: Pending

Project Number: DS-2007-CF-RU-068

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 01/10/2008

State Status Changed: 01/10/2008

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

Diamond State Insurance Company is filing for your review and approval, a 3.20% surcharge for Equipment Breakdown Coverage. We are currently using AAIS Coverage Form CO 1003 04 02 that is filed on our behalf by AAIS.

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Company and Contact

Filing Contact Information

Kathleen Reed, State Filings Analyst kreed@unitednat.com
 Three Bala Plaza, East (610) 660-5430 [Phone]
 Bala Cynwyd, PA 19004 (610) 668-3399[FAX]

Filing Company Information

Diamond State Insurance Company CoCode: 42048 State of Domicile: Indiana
 Three Bala Plaza, East Group Code: 920 Company Type:
 Suite 300
 Bala Cynwyd, PA 19004 Group Name: State ID Number:
 (610) 660-6825 ext. [Phone] FEIN Number: 51-0257823

Filing Fees

Fee Required? Yes
 Fee Amount: \$100.00
 Retaliatory? No
 Fee Explanation:
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Diamond State Insurance Company	\$100.00	01/09/2008	17412452

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	01/10/2008	01/10/2008

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Disposition

Disposition Date: 01/10/2008

Effective Date (New): 02/15/2008

Effective Date (Renewal): 02/15/2008

Status: Exempt from Review

Comment:

This line is exempt from filing rates/rule in compliance with ACA 23-67-206 which states that P&C insurance for commercial risks, excluding workers' compensation, employers' liability and professional liability insurance, including but not limited to, medical malpractice insurance, are exempted from the rate/rule filing and review requirements.

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Rate	Commercial Output Policy Program	Accepted for Informational Purposes	Yes

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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Accepted for Informational Purposes	Commercial Output Policy Program	Pages 1 and 2	Replacement	Not Applicable	COP-EQB - Countywide - Rule Pages.pdf COP-EQB - Countywide State Exception Page - 3.20% - Rule Page.pdf

DIAMOND STATE INSURANCE COMPANY

**EQUIPMENT BREAKDOWN COVERAGE
RATE DEVELOPMENT**

This memorandum explains how the rate for the equipment breakdown coverage for the eligible business was developed. This exhibit details the calculation of the gross Diamond State Insurance Company rate for Equipment Breakdown coverage of 3.20% of the Property Premium. The Diamond State rate was developed based on the loss experience of their reinsurer for this coverage, The Hartford Steam Boiler Inspection and Insurance Company (HSB).

The frequency and severity of losses are based on HSB experience from 1/1/2001 through 12/31/2003. In order to project the loss components, HSB analyzed the information for each class of business and identified the types of equipment subject to loss and the applicable causes of loss. HSB's actual experience with these classes of business follows:

<i>HSB Experience</i>					
	a	b	c =(b/a)	d	e =(d/b)
Class	# of exposure units	# of Claims	annual frequency of losses	total loss dollars (trended to 2004)	average severity
All Eligible Occupancies	131,451	1,610	1.23%	\$ 25,395,643	\$ 15,771

The frequency of losses (c) was derived by taking the number of claims (b) and dividing it by the number of exposure units (a). The average severity (e) was determined by dividing the total loss dollars (d) by the number of claims (b). In detail, we arrived at the frequency and severity as follows:

Class	<i>Frequency (c) = (b) / (a)</i>		=	<i>c</i>
	<i>b</i>	<i>a</i>		<i>annual frequency of losses</i>
All Eligible Occupancies	<i>claims</i>	<i>exposure units</i>		
	1,610	131,451		1.23%

Class	<i>Severity (e) = (d) / (b)</i>		=	<i>e</i>
	<i>d</i>	<i>b</i>		<i>average severity</i>
	<i>loss dollars</i>	<i>claims</i>		
	\$ 25,395,643	1,610		\$ 15,771

loss expectancies for Diamond State:

Diamond State Insurance Company					
	a	b	c =(a*b)	d	e =(c*d)
Class	# of locations	Frequency of losses	# of claims	Average Severity	Total Loss dollars
All Eligible Occupancies	1,200	1.23%	15	\$ 15,771	\$ 236,568

The number of claims (c) was derived by taking the number of locations (a) and multiplying it by the frequency of losses (b). The total Loss dollars (e) were determined by multiplying the number of claims (c) by the average severity (d). In detail, we arrived at the total loss dollars as follows:

All Eligible Occupancies	<i>Number of claims (c) = (a) * (b)</i>		=	<i>c</i>
	<i>a</i>	<i>b</i>		<i>claims</i>
	<i>locations</i>	<i>frequency of losses</i>		
	1,200	1.23%		15

All Eligible Occupancies	<i>Total loss dollars (e) = (c) * (d)</i>		=	<i>e</i>
	<i>c</i>	<i>d</i>		<i>total loss dollars</i>
	<i>claims</i>	<i>average severity</i>		
	15	\$ 15,771		\$ 236,568

was calculated.

All Eligible Classes	Total Equipment Breakdown Losses	Adjusted Loss Cost Multiplier	Equipment Breakdown Premium	Property Premium	Equipment Breakdown Surcharge <i>(EB Premium/ Property Premium</i>
All Eligible Occupancies	\$ 236,568	3.030	\$ 716,801	\$ 22,400,000	0.0320

In detail, we arrived at the Equipment Breakdown Surcharge as follows:

Step One: Total Equipment Breakdown Losses multiplied by the adjusted Loss Cost Multiplier = Equipment Breakdown Premium

Step Two: Equipment Breakdown Premium divided by the Property Premium equals the Equipment Breakdown Surcharge

HSB Admin. & Inspection Expenses	32.0%	
Expense Total	67.0%	
Estimated Loss Ratio	33.0%	1-.670
Loss Cost Multiplier	3.030	1/ (.330)

**DIAMOND STATE INSURANCE COMPANY
COMMERCIAL OUTPUT POLICY
ARKANSAS EXCEPTION PAGE**

Equipment Breakdown

A surcharge of 3.20% will be applied when **Equipment Breakdown Coverage Form CO 1003 04 02** is attached to the policy.